


# Hatcher+ Blog / Carbon Credits Reduce Carbon Debt



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The suggestion made by headlines like the one below (from a recent [Wall Street Journal article](#)\*) - that carbon credits won't cut emissions - just serves to further cloud the good work that carbon credit programs are capable of achieving.

Yes, it's true that the effect of a small, largely voluntary tax - which is what carbon credits currently are - is not likely to have a large-scale effect on the behavior of many major emitters - especially compared to the profits to be made from generating fossil fuels and emitting carbon. It's probably more likely that cheaper renewables will, over time, have more of an effect on reducing our reliance on fossil fuels than taxing those emissions.

Today's emissions are a problem - but to understand the importance of carbon credits, we need to stop looking at the Income Statement - and start looking at the Balance Sheet. And more specifically, our Long Term Carbon Debt.

If Planet Earth were to maintain a Balance Sheet, and we were to list in our Asset column our basic needs: physical security, food security, water availability, etc... and in our Long Team Debt entries the accrued levels of greenhouse gas, the extreme level of soil organic carbon depletion from our farmlands, and the astonishing levels of degradation of our most efficient carbon storage areas - the coastal mangrove forests, it would be clear from any reading of that balance sheet that our current predicament is not the result of a single year's emissions: if this were a company's balance sheet, insolvency would be on the agenda.

Which is why I believe that any headline that contains carbon offsets and emission reduction is misleading - the problems we're witnessing related to climate change are not simply the result of carbon emissions, but decades (centuries?) of poor farming practices, rampant deforestation, mangrove removal and pollution, and a host of other sins.

How widespread is the damage? 50% to 65% of the world's mangrove forests have either disappeared or become significantly degraded. Farmlands in many parts of the world have lost up to 80% of their soil organic carbon - to the point where food security is under threat.

This is why we need to move our thinking from "triple-bottom-line" to the accrued debt on the balance sheet. And think of carbon credits as a "balance sheet adjustment item" relating to this total debt, rather than simply a tax on today's emissions. A(carbon) credit that can be used to reduce the (carbon) debt.

How do we reduce this debt?

The answers are surprisingly simple - here's an example. Within the CarbonNation family of funds, we have created a CarbonNation BLUE fund that seeks to do one very simple but highly effective thing: restore and protect mangroves. These mangrove forests require significant funding to achieve scale - a 15,000-hectare forest that needs to be replanted will require between USD2,500 and USD4,500 per hectare in investment, and three years of careful cultivation by local communities.



Further, nearby onshore fisheries will need to be provided with more efficient algae-based filtering solutions so that the nitrogen and phosphorus waste produced can be filtered out, and the quality of produce improved.

At the end of this period, as the forest matures and the algae plants come online, carbon credits are created, which can be used to return the principal plus a return on investment to the investors, including the community - who also are the primary beneficiaries of the first stage of investment. Aside from these financial benefits, what is the upside? More mangrove cover equates to a commensurate amount more fish (fish breed in the mangroves, as it keeps them safe from predators) - one of the main sources of income for many coastal communities.

More mangroves equate to better protection from rising tides and coastal erosion. And as almost everyone knows by now, mangroves offer up to 50x better carbon sequestration rates than low-density forests. Yes, machines pulling carbon from the air and storing it underground are impressively futuristic-looking - but mangroves have been doing this for millions of years, and providing us with food for the same period of time.

The fund has already secured significant funding and other partnerships for these efforts, but more partners are welcome to get in contact.

\*This article is actually very well-written and researched - my issue is with the negative and slightly misleading tone of its headline, which, based on the text of the article, I suspect may have been added or modified by the editor, rather than the journalist.

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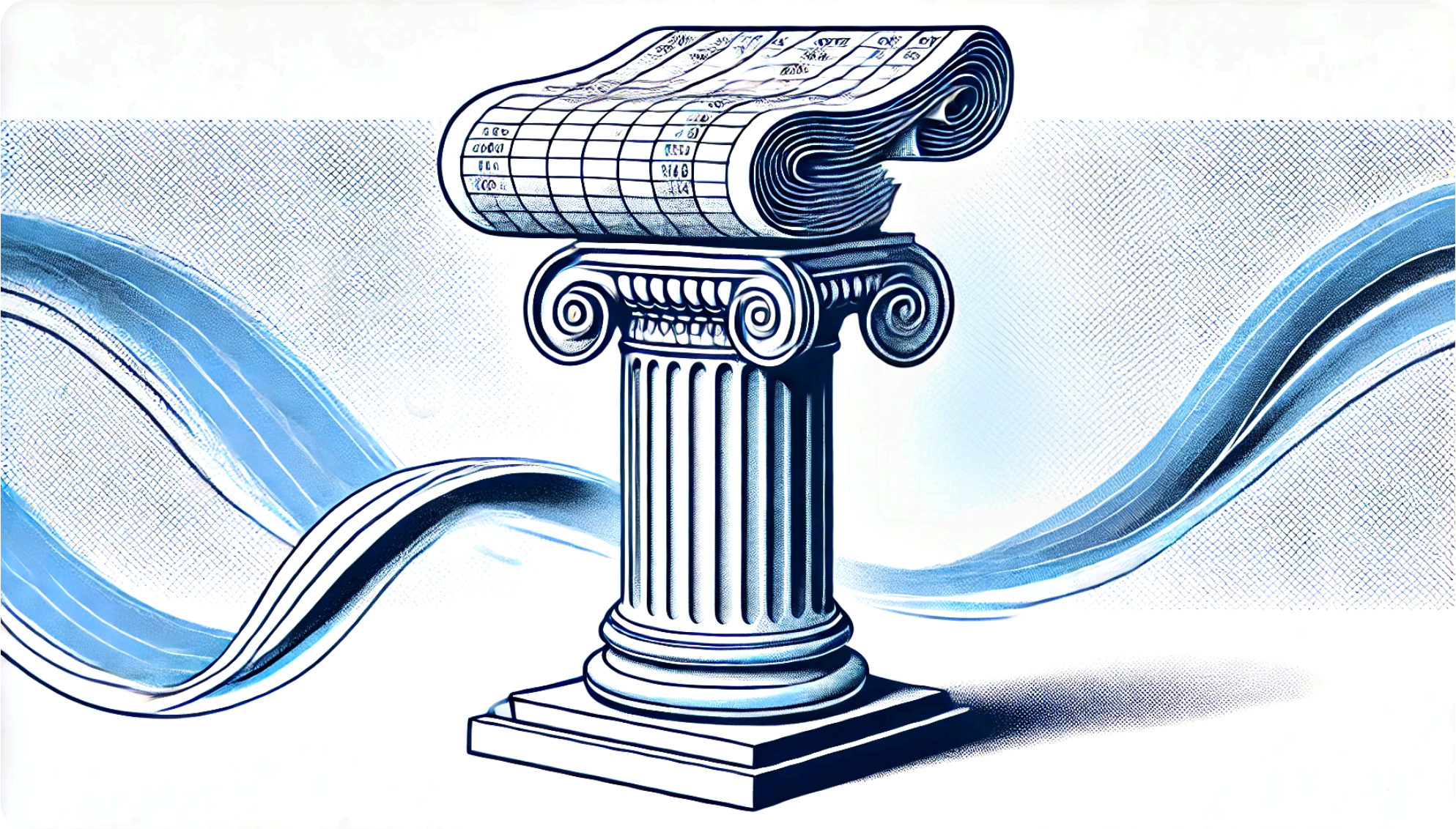
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